EB-2011-0054 Technical Conference Questions
to
Hydro Ottawa Limited (“HOL”)
from
Ecology Ottawa
2011.09.17

Exhibit K1
Interrogatory #9

Issue 1.2 - Are Hydro Ottawa’s economic and business planning assumptions for 2012 appropriate?

b) New Board rules on customer service include a number of provisions for low income consumers. Please explain how these provisions are being implemented by Hydro Ottawa and what steps are being taken to communicate these provisions to low income consumers?

Response

The new Ontario Energy Board customer service rules allowing for a 6-month payment period, effective January 1, 2011, apply to residential customers, who are not deemed to be low-income residential customers. Low-income consumers are not required to pay a deposit. Hydro Ottawa no longer collects deposits from residential customers, as detailed in Exhibit K2-3-28 (SEC #34).

 # 1 How does HOL deem customers to be “low-income”?

Exhibit K2
Interrogatory #8

Issue 2.1 - Is the proposed rate base for the test year appropriate?

Energy Probe Question #12 – Ref: Exhibit B1, Tab 2, Sch. 7

a) Please provide the net book value of the existing hybrid vehicles included in the test year.

b) Please provide the estimated premium paid for the hybrid vehicles that will be included in the test year.

c) Is Hydro Ottawa eligible to receive any incentives (federal government, provincial government, OPA, etc.) to help pay for the capital expenditures shown in Table 1?

d) Please provide a revised Table 6 for the 2011 bridge year that reflects the most current year-to-date information along with the current forecast for the remainder of the year.

e) Please explain the reduction in the contributions and grants in both 2011 and 2012 relative to the levels recorded in the historical years.

Response

a) The net book value as at the end of 2010 of the existing hybrid vehicles in Hydro Ottawa’s fleet is $417,212. Given that hybrid vehicles for the test year have not yet been purchased, it is not feasible to provide a net book value.

b) The estimated premium for hybrid vehicles for the test year is $190K.

 # 2 Please clarify that the $190,000 premium to be invested in hybrid vehicles for the test year (2012) is for 8 vehicles or an average of $3,392 per vehicle per year over an estimated life cycle of 7 years.

Exhibit K2
Interrogatory #3

Issue 2.3 – Is the capital expenditure forecast for the test year appropriate

Hydro Ottawa has summarized its fleet replacement program and lifecycle status. Based on the graph at Figure 2, Board staff estimates that Hydro Ottawa plans to purchase 18 vehicles in 2011 and 31 vehicles in 2012.

Board Staff Question #14 - Ref: Exh B1-2-5, p4

a) Hydro Ottawa compares its fleet to an industry standard lifecycle. Please provide the source reference for the industry standard.

b) Please confirm Board staff's estimates in the preamble. What percentage of Hydro Ottawa's fleet is being replaced in the test year?

c) Please estimate the incremental purchase cost in 2012 for hybrid vehicles.

Response

b) The Ontario Energy Board staff's estimate in the preamble is correct, in that 31vehicles are scheduled for purchase in the 2012 test year. Of that, 25 are replacements for existing stock, or 9.7% (25 of 257 total) Vehicles & Equipment. (See Table 2, Exhibit B5-5-2)

c) Incremental cost for hybrid technology in the fleet is $85,000 for 6 new Vehicles & $90,000 for 2 Bucket Truck conversion kits (See Table 2, Exhibit B1-2-7).

 # 3 Please clarify that the incremental cost or premium for the 6 new vehicles with hybrid technology is $85,000 and thus an average of $2,023 per vehicle per year over an estimated life cycle of 7 years.

Exhibit K2
Interrogatory #14

Issue 2.3 - Is the capital expenditure forecast for the test year appropriate?

SEC Question #20 - Ref: Ex. B1/2/6

Please provide the specific amount of the Fleet Initiatives Capital Expenditures budget for each year between 2011 and 2014 that is being spent on 'piloting electric vehicles'.

Response

Hydro Ottawa Limited has budgeted an additional $20,000 for the purchase of one electric vehicle in 2011, which represents the estimated difference in cost between an electric vehicle versus a gas vehicle. This is the only 'pilot electric vehicle' that is represented in the Fleet Initiatives Capital Expenditures budget for 2011 to 2014.

Exhibit K2
Interrogatory #12

Issue 2.2 - Is the working capital allowance for the test year appropriate?

CCC Question #12 - Ref: Ex. B1/T2/S7

Please explain how "greening the fleet" benefits Hydro Ottawa's distribution customers. Has Hydro Ottawa performed a cost-benefit analysis for this initiative? If so, please provide the analysis. If not, why not?

Response

Customers expect their utility to operate in a manner which is environmentally responsible. Greening the fleet is consistent with this expectation. A greener fleet results in a decrease in the greenhouse gas and pollutants emitted into the air thereby reducing Hydro Ottawa Limited's ("Hydro Ottawa") carbon footprint and its environmental impact on the community. The reduction of Hydro Ottawa's carbon footprint is an outcome consistent with that of the conservation and demand management-related energy efficiency programs which Hydro Ottawa is mandated to carry out with its customers. In 2009, when developing the Environmental Sustainability Strategy and deciding to focus on the greening of the fleet, Hydro Ottawa compared the incremental costs of greening the fleet with the corresponding benefit of a decrease in greenhouse gas emissions. The incremental costs are identified in exhibit B1, Tab 2, Schedule 7 at page 6 of 9 for the years 2011 to 2014. The benefit analysis is comprised of the associated greenhouse gas emissions improvement per km of fleet usage. In consultation with an external consultant, Hydro Ottawa determined a 2009 baseline of 1 tonne of emissions per 1,304 km of fleet usage. Greening of the fleet is targeted to reduce emissions by an average of 2% per year over the next 5 years.

 # 4 Given the expectations of its customers and the positive cost-benefit analysis, especially if reduced operating and health costs are included, could HOL justify accelerating investments in greening its fleet beyond the one electric vehicle in 2011 and 6 or 8 hybrid vehicles in 2012?

Exhibit K2
Interrogatory #15

Issue 2.3 - Is the capital expenditure forecast for the test year appropriate?

SEC Question #21 - Ref: Ex.B1/2/7/p.8

With respect to the new 'environmental standards and associated point system' procurement policy:

a. Please provide the expected cost impact

Response

a) Hydro Ottawa Limited's ("Hydro Ottawa") procurement policy statement with new environmental standards and associated point system is not expected to have a cost impact. These environmental standards and point system will be used to differentiate purchasing decisions using an environmental criterion when products, goods and services are of equal quality and value.

 # 5 Does HOL believe that its policy of choosing more environmentally friendly products, goods and services only when they do not have a cost impact is consistent with its Environmental Sustainability Strategy and would meet the expectations of its customers?

Exhibit K2
Interrogatory #16

Issue 2.3 - Is the capital expenditure forecast for the test year appropriate?

SEC Question #22 - Ref: Ex.B4/2/1/p.20

Please confirm that there are no cost consequences for ratepayers for 2012 due to the change in 2013 to monthly billing.

Response

In addition, Hydro Ottawa has decided to incorporate the introduction of monthly billing as part of the CIS upgrade, therefore there is no longer a cost consequence for ratepayers in 2012 related to monthly billing.

 # 6 Has HOL seen any data or research indicating that monthly billing provides better feedback on costs to consumers and thus helps them reduce their bills?

Exhibit K2
Interrogatory #1

Issue 2.4 - Is the capitalization policy and allocation procedure appropriate?

VECC Question #19 - Ref: Exhibit B1, Tab 3, Schedule 1, Attachment Q

Did Hydro Ottawa compare its capitalization and cost allocation policy with that of other utilities (e.g. Toronto Hydro or Hydro One). If so, what were the material differences? If not, please explain why this analysis was not undertaken.

Response

Hydro Ottawa Limited's ("Hydro Ottawa") current capitalization policy was developed in 2007 with the assistance of KPMG. There was internal review of other utility reports including NB Power, Hydro One, Enbridge Gas, BCTC, and Fortis Alberta. The policy has been benchmarked and was in line with other similar Ontario distributors of electricity. KPMG also reviewed the policy and found it reasonable and in accordance with industry standards and practice related to overhead capitalization.

 # 7 Given that HOL reviews other utility reports on capitalization, has it reviewed other utility reports on CDM or does it rely on the OPA to ensure that the CDM programs it is implementing reflect best industry standards?

Exhibit K2
Interrogatory #5

Issue 2.5 - Is Hydro Ottawa's Green Energy Act Plan appropriate?

Board Staff Question #21 - Ref: Exh B1-2-2, Attachment P; Ref: Hydro Ottawa EB-2010-0133, Exh B1-2-3

In the current application, no Smart Grid related expenditures have been assigned to 2011 or 2012. All Smart Grid related activities are in the future. In the GEA Plan Hydro Ottawa filed in 2010, capital expenditures were assigned to, among others, a Public Charging Stations for Electric Vehicles project for year 2011.

Please provide a summary of activities and projects related to Smart Grid that have already been initiated. Please confirm whether or not the costs associated with these activities are included in rate base and revenue requirement for 2012.

Response

There are currently no projects that have been initiated related to Smart Grid, thus there are no related expenditures.

 # 8 Given the progress being made with Smart Grids in the United States and by Hydro One Networks Inc., why has HOL decided not to invest in Smart Grid improvements in 2012?

Exhibit K2
Interrogatory #7

d) In 2011 costs for the Green Energy Act ("GEA") were captured in a deferral account. As of 2012, these costs are forecast as part of Community Relations expenses and are budgeted at $320k.

9 *Why is HOL allocating Green Energy Act costs to community relations?*

Exhibit K2
Interrogatory #10

Projects identified in the 2011 Application did not go ahead, they included the following;

- System expansion 44kV Goulbourn
- Protective Relay Upgrades
- Communication Infrastructure
- Electric thermal storage
- Thermal Storage – Ice Systems
- Public Charging Stations for Electric Vehicles

10 *Why did these GEA and CDM projects not go ahead in 2011 and what is their current status?*

11 *What demand and consumption savings are associated with these projects?*

Exhibit K2
Interrogatory #13

Issue 2.5 - Is Hydro Ottawa's Green Energy Act Plan appropriate?

Please advise who has been consulted regarding Hydro Ottawa's Green Energy Act Plan.

Response

Hydro One Holding Inc. ("Hydro One") and the Ontario Power Authority ("OPA") have been consulted regarding Hydro Ottawa Limited's Green Energy Act Plan. Please refer to Exhibit K2-5-1 (Board Staff #17) Attachment 1 and Attachment 2 for the letters from Hydro One and the OPA.

12 *Why were no local stakeholders consulted on HOL's Green Energy Act Plan?*

Exhibit K2
Interrogatory #14

Issue 2.5 - Is Hydro Ottawa's Green Energy Act Plan appropriate?

(EnviroCentre Question 5) Ref: Filing Requirements EB-2009-0397, Part IV and Exh B1-2-2, Attachment P, p15

The Basic GEA Plan submitted by Hydro Ottawa shows no increase in Distributed Generation capacity for the three years (2012-2014) covered by this application.

Had the system limitations been dealt with earlier, please confirm that the lost opportunity for increased distributed generation capacity by the end of 2014 would be about 15 MW if the 2011-2012 trend continued, or about 35 MW if the long-term projection were met gradually during the years covered by this application.

Response

Based on the information provided, the basis for the 15MW and 35MW numbers is unclear. Exhibit B1-2-2 Attachment P (Green Energy Act Basic Plan), page 10, describes limitations to connection of potential embedded generation. However, there may be multiple

The Projected DG Load Growth shown in Chart 1 on Page 10 of HOL's Basic Green Energy Act Plan projects about 70 MW of DG load growth between 2015 and 2017 after three years of no growth at all because of system constraints. If there were no constraints, and if the 2011-2012 increase in projected DG load growth continued at the same rate, it shows growth of about 15 MW by the end of 2014. If the growth rate were increased to meet the 2017 projection, it shows an additional growth of about 20 MW by the end of 2014.

 # 13 Had the system limitations been dealt with earlier, please confirm that the lost opportunity for DG load growth over the next three years is about 35 MW.

Exhibit K2
Interrogatory #15

Issue 2.5 - Is Hydro Ottawa's Green Energy Act Plan appropriate?

EnviroCentre Question #6 - Ref: Filing Requirements EB-2009-0397, Part IV and Exh B1-2-2, Attachment P, p15

The Basic GEA Plan submitted by Hydro Ottawa shows no increase in Distributed Generation capacity for the three years (2012-2014) covered by this application.

Please estimate by how much capacity Hydro Ottawa could exceed its CDM targets if it filed a successful application for an aggressive CDM plan that would complement the OPA programs it is obliged to deliver.

Response

Hydro Ottawa Limited ("Hydro Ottawa") is not prepared to speculate on the extent it could exceed its Conservation and Demand Management ("CDM") targets if it filed a successful application for an aggressive CDM plan that would complement the Ontario Power Authority ("OPA") programs it is obliged to deliver. As stated in our CDM Strategy, filed with the Ontario Energy Board, see Exhibit K1-1-7 (CCC #5) Attachment 1, Hydro Ottawa believes it can achieve its targets with the current OPA programs. Any possible savings beyond the targets would depend on what new programs could be developed, the target market(s) chosen, the value of the measures and the success in the market place. Hydro Ottawa already believes that its current targets are 'aggressive' and extensive effort will be required to deliver the current plan.

 # 14 If the Board were to provide LDCs incentives similar to those applied to gas utilities for exceeding their DSM targets, could HOL exceed its CDM target by 50%?

 # 15 Does HOL believe that its OPA programs will come close to achieving 100% of the cost-effective CDM potential in the current Ottawa market?

Exhibit K2
Issue 2.5
Interrogatory #16

2. RATE BASE

Issue 2.5 - Is Hydro Ottawa's Green Energy Act Plan appropriate?

EnviroCentre Question #7 - Ref: Filing Requirements EB-2009-0397, Part IV and Exh B1-2-2, Attachment P, p15

The Basic GEA Plan submitted by Hydro Ottawa shows no increase in Distributed Generation capacity for the three years (2012-2014) covered by this application.

Please advise if Hydro Ottawa has considered including a Chief Conservation Officer as part of its senior management team.

Response

As part of its senior management team, Hydro Ottawa Holding Company has a Chief Energy Management Officer, whose mandate is similar to a Chief Conservation Officer. The Chief Energy Management Officer is accountable for the delivery of environmentally responsible conservation and demand management programs for residential, commercial and industrial customers. Accountabilities also include the delivery of a full range of expert energy management services for the commercial sector.

 # 16 Does HOL's Chief Energy Management Officer only manage CDM programs or does the difference in title mean that conservation is just part of the mandate of this position?

Exhibit K4
Interrogatory #27

Issue 4.1 - Is the overall OM&A forecast for the test year appropriate?

EnviroCentre Question #9 - Ref: Exh D1-1-1, p19 and Exh D1-1-2, p10

Hydro Ottawa will have a LEAP expense starting in 2011. The evidence also states that the LEAP program is the only charitable donation that Hydro Ottawa has included for both 2011 and 2012.

Of the amount allocated for LEAP, please identify the amount that is recuperated by Hydro Ottawa in recovered arrears.

Response

The total amount allocated for the LEAP program is $170,000 in 2011 and $173,400 in 2012. Since the inception of the program on Dec 1, 2010 to June 30, 2011, Hydro Ottawa Limited received $87,445 in payments from the LEAP program and they have been applied to pay customer account balances.

 # 17 Can HOL confirm that its net contribution to LEAP up to June 20, 2011 is the difference between its allocation of $170,000 for 2011 and its payments to that date from LEAP of $87,445 and that this amount - $82,555 - is likely to approach zero by the end of 2011?

Exhibit K4
Interrogatory #28

Issue 4.1 - Is the overall OM&A forecast for the test year appropriate?

EnviroCentre Question #10 - Ref: Exh D1-1-1, p19 and Exh D1-1-2, p10

Hydro Ottawa will have a LEAP expense starting in 2011. The evidence also states that the LEAP program is the only charitable donation that Hydro Ottawa has included for both 2011 and 2012.

Please identify the total amount of payments received in 2010 from the City of Ottawa to cover the electricity bills of social assistance clients.

Response

Hydro Ottawa Limited ("Hydro Ottawa") does not keep a record of who pays an individual customer's account, whether it is the customer, another family member or some other third party. Aggregate totals are reported by the LEAP program and previously the Winter Warmth program, which were both directly sponsored by Hydro Ottawa. However, Hydro Ottawa does not have a record of the total amount of payments made by the City of Ottawa to cover the electricity bills of social assistance clients.

 # 18 If a third party were to pay HOL over $1,000,000 a year without any obligation to do so, would that raise red flags with HOL's accountants or auditors?

Exhibit K4
Interrogatory #20

Issue 4.4 - Are the 2012 compensation costs and employee levels appropriate?

SEC Question #48 - Ref: Ex.D1/5/1/p.14

Are the CDM positions shown in table 6 funded by the OPA? If not, please explain why.

Response

Yes, all CDM positions shown in Table 6 are funded by the Ontario Power Authority ("OPA").

 # 19 How much of its own money does HOL invest in CDM positions and programs?

Exhibit K10
Interrogatory #1

Issue 10.1 - Is the proposal related to LRAM appropriate?

VECC Question #57 - Ref: Exhibit I3, Tab 1, Schedule 1, page 3

Please provide a schedule that sets out:

- The total adjustment for CDM that was included in the 2008 Load Forecast (Note: Please clarify whether the adjustment was to forecast wholesale purchases or customer billed energy).
- The break down of the load forecast adjustment by customer class.
- The actual 2008 (verified) savings reported from 2008 CDM programs, broken down by customer class. (Note: Please confirm if the reported savings are based on customer billed energy or wholesale purchased energy).
- The forecasted persistence of the savings from 2008 CDM programs in the years 2009 through 2012, broken down by customer class.

Response

The total adjustment for conservation and demand management ("CDM") that was included in the 2008 Load Forecast, as part of the Settlement agreement, was 42,667 MWh and 7.6 MW. The adjustment was to forecast wholesale purchases. The breakdown of the load forecast by customer class is shown in Table 1 below.

The actual 2008 savings from 3rd tranche and Ontario Power Authority ("OPA") Programs are also shown in the table below. Note that these results are only available broken down by Residential and Commercial and there was no requirement for third party verification as these savings were not being used to calculate a Lost Revenue Adjustment Mechanism.

 # 20 Outside of the LRAM requirement, has HOL had any third party verification of its CDM program results?